



Joint Legislative Audit Committee  
Office of the Auditor General



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**FINANCIAL AUDIT REPORT  
RURAL YOUTH EMPLOYMENT PROGRAM  
YEAR ENDED JUNE 30, 1979**

REPORT TO THE  
CALIFORNIA LEGISLATURE

REPORT F-999.23

REPORT OF THE  
OFFICE OF THE AUDITOR GENERAL  
TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE

999.23

FINANCIAL AUDIT REPORT  
RURAL YOUTH EMPLOYMENT PROGRAM  
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



# California Legislature

## Joint Legislative Audit Committee

STATE CAPITOL  
SACRAMENTO 95814  
(916) 445-7380

925 L STREET  
SUITE 750  
SACRAMENTO 95814  
(916) 445-0255

GOVERNMENT CODE SECTION 10500 et al

S. FLOYD MORI  
CHAIRMAN

SENATORS  
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October 17, 1980

999.23

The Honorable Speaker of the Assembly  
The Honorable President pro Tempore of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Rural Youth Employment Program, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas; Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

*S. Floyd Mori*  
S. FLOYD MORI  
Chairman, Joint Legislative  
Audit Committee

Attachment

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## INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Rural Youth Employment Program. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Rural Youth Employment program resulted from a study funded by the Department of Labor and conducted by the Office of the Lieutenant Governor. This study focused on assessing the unemployment problems of young people in Madera and Humboldt counties and examining the potential for jobs within the existing economy. After completing the study, the Office of the Lieutenant Governor submitted a proposal to the U.S. Department of Labor. The Department of Labor in turn granted the Rural Youth Employment Program to the Lieutenant Governor's Office in August of 1978. The program was subsequently transferred to the Department of Social Services by Executive Order D-3-78 that was issued in December 1978.

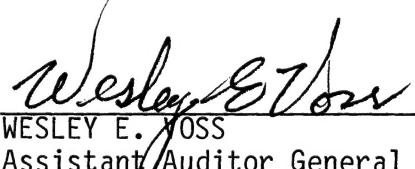
The Rural Youth Employment Program is no longer in existence. As of February 1980, the program's only functions have been the settlement of payables and receivables. The Rural Youth Employment Program was supported by federal funds.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Rural Youth Employment Program as of June 30, 1979 and the related statement of financing sources, expenditures, and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Rural Youth Employment Program at June 30, 1979 and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

  
WESLEY E. YOSS  
Assistant Auditor General

Date: March 15, 1980

Staff: Curt Davis, CPA  
Romero Zamora  
Gus Demas  
Geraldine Parks  
Teri Yee  
Michael Tritz  
Charles Thrasher

RURAL YOUTH EMPLOYMENT PROGRAM

BALANCE SHEET

JUNE 30, 1979

ASSETS

Cash in State Treasury	\$83,795
Due from Federal Government	<u>14,523</u>
Total Assets	<u>\$98,318</u>

LIABILITIES AND  
ENCUMBRANCES OUTSTANDING

Liabilities:	
Accounts payable	<u>\$62,779</u>
Encumbrances Outstanding	<u>35,539</u>
Total Liabilities and Encumbrances Outstanding	<u>\$98,318</u>

The notes to the financial statements are an integral part of this statement.

RURAL YOUTH EMPLOYMENT PROGRAM  
STATEMENT OF FINANCING SOURCES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Financing Sources:	
Intergovernmental revenues	<u>\$187,623</u>
Expenditures:	
Personal services	112,505
Operating expenses	<u>75,118</u>
Total Expenditures	<u>187,623</u>
Excess of Sources over (under) Expenditures	--
Fund balance - July 1	<u>--</u>
Fund balance - June 30	<u>\$ --</u>

The notes to the financial statements are an integral part of  
this statement.

RURAL YOUTH EMPLOYMENT PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Rural Youth Employment Program. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Fiduciary Fund Type.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by a governmental unit as a trustee. The Fiduciary Fund Type for the Rural Youth Employment Program is the Special Deposit Fund. The Special Deposit Fund is an Expendable Trust Fund which is used to account for receipts from the Federal Government.

The Fiduciary Fund Type is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income, except for certain reimbursements which are recorded when billed, is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against the fund balance for which no goods or services have been received.

## Liabilities

Retirement Plan - Regular employees of the program are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the program and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$5,642.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

OTHER INFORMATION

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the Department of General Services (which maintains the program's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the program's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the Rural Youth Employment Program in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The Rural Youth Employment Program generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
California State Department Heads  
Capitol Press Corps